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You have asked me to address the elements of a roadmap for structural reform. The following comments outline what I believe are some of the key considerations that should be borne in mind in pursuing this effort.

**What's the problem?**

It is essential to carefully define the problem the commission intends to address. What specific problem or set of problems does the commission intend to tackle? The commission staff has identified a series of problems falling into several different areas, such as Constitutional, Organizational, Electoral, and so forth. Given the breadth of this definition of the problem, the commission's task is daunting. It is important to focus the inquiry in a manner that will result in a useful work product. Given complexity of the issues and limited staff resources, it may be useful to identify a specific problem or set of problems and attempt to focus the commission's effort in that area.

**What's the problem (Part Two)?**

While in one sense one of the major problems currently facing the State is obvious – there is a serious imbalance between General Fund revenues and expenditures – reasonable people disagree over how the State came to this circumstance and what to do about it. For this reason, any effort directed at reform must start with a public conversation about the problem and what should be done about it. We must engage the public in a debate about our vision for California and our values as a citizenry. What sort of a future for California do we want? What should be the role of the State in helping to bring about this future?

This step is important for two reasons. First, it is important because reform will not be possible without consensus about the nature of the problem and what should be done. Second, the public needs to become engaged in the effort or it will fall victim to single-issue interest politics.

**Stop Telling Fairytales**

As part of the effort to engage voters in the reform effort and elicit a consensus about our vision for California, political and other opinion leaders must stop telling the public they can have it all. So, one of the things needed as part of the roadmap is for all of us to stop permitting political and other leaders to promise everything to everyone. There is no free lunch. If we want to have a state that does certain things or provides certain services, we must pay for it.

This is not to say that there are not savings that can be achieved in the delivery of services or that we should not attempt to find efficiencies in the operation of State programs. We should aggressively and continuously pursue these efforts.

But even with these efforts, it will cost a certain amount to provide whatever basket of state services we as citizens decide we want to have, and we need to be straightforward about that tradeoff.

### **Some Specific Ideas**

As I am most familiar with the budget, I offer a couple of specific ideas about how to force the Legislature and the administration to pay more attention to the tradeoffs between programs and funding in the policy making process:

- Establish a pay-as-you-go funding mechanism for state programs. There is a disconnect in the legislative process between support for (new) programs and funding to support them. A mechanism should be established to require that funding be identified to support new or expanded programs at the point in time that the program is established. In doing so, though, we need to be careful not to simply carve the General Fund up into a multitude of dedicated funding sources that hamper the administration's and the Legislature's budgetary flexibility.
- Multi-year planning. Although fiscal forecasting will always be an imperfect art, steps should be taken to infuse the budget process with a better sense of at least the short-term future. In that respect, multi-year plans are an essential tool. However, I do not believe that this means that multi-year budgets should be adopted. Similarly, the multi-year impact of legislation needs to be more effectively accounted for in the legislative process.

Ultimately, the success of any reform effort will depend on the ability of the state's leaders to convey a sense of urgency to the public and help mold a consensus about values and vision for California. Without that leadership, I do not believe it is possible to overcome the ability of single-issue interests to stand in the way of reform.